

Interest rates: Majority of students receive some sort of financial aid

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The article said: "Based on revenue and spending data through June, the budget deficit was \$76 billion lower, or a total of \$251 billion, for the first nine months of fiscal year 2005 than the \$327 billion gap recorded at the same point one year earlier."

The article highlights that in the first nine months of the fiscal year, which starts Oct. 1 for the federal government, overall tax revenues

increased by 15 percent from the 2004 levels and 40 percent for corporate tax revenues. But these trends did not continue in the months leading up to June.

This year's 7 percent increase in government spending was reported in the New York Times as being tied to the "continuing cost of the war in Iraq, which is on track to exceed \$200 billion by the end of this year." Continued extensions of the administration's tax cuts will add financial

hurdles down the road, as \$1.4 trillion is drained from government coffers over the next 10 years.

Thirty states are projecting deficits for Fiscal Year 2005 to total between \$39 billion and \$41 billion. "This represents between 7 percent and 8 percent of state general fund expenditures," according to a report on fiscal year 2005 budget deficits from the Center on Budget and Policy Priorities.

Gov. Bush said on August 30,

2000 that as President he would "fully fund the Pell Grant for first-year students by increasing the maximum award grant amount from \$3,300 to \$5,100." Pell Grants are given to "needy students and families who might not otherwise have the opportunity to pursue a college education," and do not have to be repaid, according to the U.S. Department of Education Committee on Education and the Workforce. Pell Grants are given to

over 5 million low-income students each year.

The Office of Management and Budget, which provides the proposed fiscal year 2005 budget, states that "the Pell Grant program has a \$3.7 billion funding shortfall ... \$1 billion more than the shortfall was in 2003 and \$2.3 billion more than 2002;" the college enrollment of low and middle-income students will likely decline as a result.

A report issued May 13, 2004 by the Democratic Staff of the House Appropriations Committee stated that in 1976, Pell Grants covered 72% of the annual cost of college for low and middle-income students. "For fiscal year 2005, (President Bush) proposes to freeze the regular maximum Pell Grant," for the third consecutive year at \$4,050. Calculating inflation and rise in tuition, the Pell Grants cover only 34% of the costs in 2005. Like the proposed federal budget, Pell Grant funding did not match the proposed \$5,100. The maximum Pell Grant is the highest in history, but according to these figures the amount of money does not pull the same weight.

Rep. George Miller (D-Calif.) stated that because of Pell Grant budget cuts, "the (2005) Pell Grant program is projected to experience a \$3.7 billion shortfall."

On top of this, the cumulative amount of college loan debt has increased significantly over the past 11 years, according to a report issued by the American Council on Education. In the 1992-93 school year, 24.8 percent of students from a four-year, public university graduated with an average debt of \$6,300. In 2003-04, 58 percent of students graduated with a debt of \$14,671, proving that the historically low interest rates for graduates in 2004 had little influence because of increased tuition and fees.

The House Appropriations Committee report showed that tuition and fees have increased 34.6 percent from 2000 to 2004. The report attributes this to education budget cuts.

The College Board Trends in College Pricing 2004 report stated that at four-year public institutions, tuition and fees averaged \$487 more per student in 2004-05 than the 2003-04 academic year (a 10.5 percent increase). The report also stated that the general costs students were expected to pay for room and board, on average, were \$327 to \$337 more than the 2003-04 academic year, depending on the type of college.

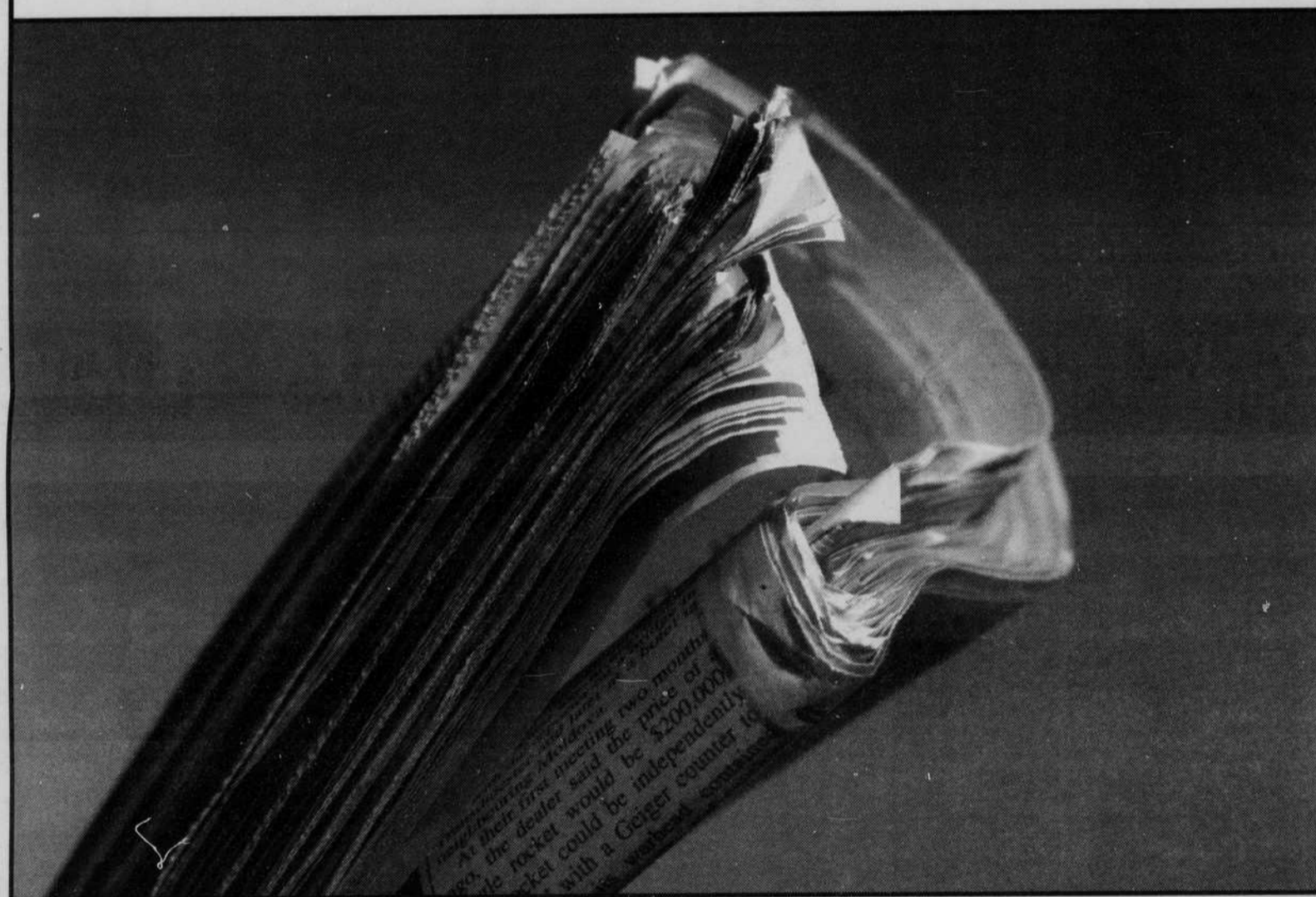
"For families with earnings in the bottom fifth of all incomes, the annual cost of an education at a four-year public university equated to 71 percent of their income in 2003 — a share of income 11 percent higher than when President Bush entered office," according to the 2003 Trends in College Pricing report. In academic year 2003-04, loans constituted 56 percent of aid and grants 38 percent, according to the 2004 Trends in College Pricing.

Average undergraduate tuition and fees and room and board rates paid by full-time students at four-year institutions was \$5,964 in 1986-1987. In 2001-02 it was \$13,677, an increase of 229 percent, according to the National Center for Education Statistics. The report stated that 63 percent of all undergraduates enrolled in 2003-04 received some type of financial aid.

The real world implications for many of these findings have already affected potential college students and those who have recently graduated, but until fall term, the effects on the low and middle-income student enrollment cannot be determined.

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